Tobacco Industry Profile 1984

Prepared by

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All data for calendar year 1983, unless otherwise stated

Consumption

Total U.S. consumption including overseas armed forces was:

- **600 billion cigarettes**
- **3.6 billion large cigars and cigarillos**
- **1.33 billion little cigars**
- **33.3 million pounds of pipe and roll-your-own tobacco**
- **86.6 million pounds of chewing tobacco**
- **45.7 million pounds of snuff**

The output of cigarettes from U.S. factories was 667 billion. Of the total, 8.2 billion cigarettes were shipped to overseas forces, 800 million to Puerto Rico and other U.S. possessions and 60.7 billion to other countries.

Per-capita U.S. cigarette consumption, based on population 18 and over, was 3,494. Record high was 4,345, in 1963.

Expenditures

U.S. expenditures for tobacco products were estimated at $28.7 billion, a record high and an increase of $3.4 billion over 1982, for the most part because the federal cigarette excise, collected at the manufacturing level, was doubled Jan. 1, 1983. More than $26.8 billion, or around 93 percent of the money spent for tobacco products, was for cigarettes.

World Production

World production of tobacco was estimated at 5.94 million metric tons. There was a 14 percent decline from 1982, chiefly due to sizable production decreases in the People's Republic of China, the United States and Greece.

The leading leaf producing nations in 1983 were: People's Republic of China (1,500,000 metric tons), U.S. (640,000), India (594,000), Brazil (378,000), USSR (310,000), Turkey (226,000), Bulgaria (155,000), Italy (140,000), Japan (138,200), Indonesia (121,700), Greece (115,200), Canada (110,600) and South Korea (100,700).

U.S. Tobacco Production

Tobacco Growers

Tobacco was grown on more than 200,000 farms in 23 American states and in Puerto Rico. The federal government issued 543,679 allotments to grow tobacco in 1983. The allotment total is larger than the number of farms because some farms are given allotments for more than one type of tobacco.

The acreage harvested was 784,000, about 14 percent below 1982, with an average yield of 1,800 pounds per acre. The total U.S. harvest was 1.41 billion pounds, down 29 percent from the 1982 crop year.

A breakdown of tobacco grown in 1983 by type shows flue-cured, 818 million pounds; burley, 470 million; Southern Maryland, 37.9 million; fire-cured, 35.5 million; dark air-cured, 12.6 million; and all cigar types, 36.9 million.

Tobacco growing requires about 250 man-hours of labor per acre harvested. By comparison, it takes about three man-hours to grow and harvest an acre of wheat. The more than a half million farm families involved directly and indirectly in producing tobacco in the U.S. were aided by additional seasonal workers.

Tobacco Sales

Nearly all of the nation's tobacco was sold at auction in 165 designated markets. The small remainder was sold directly from the farms or by farmers' cooperatives.

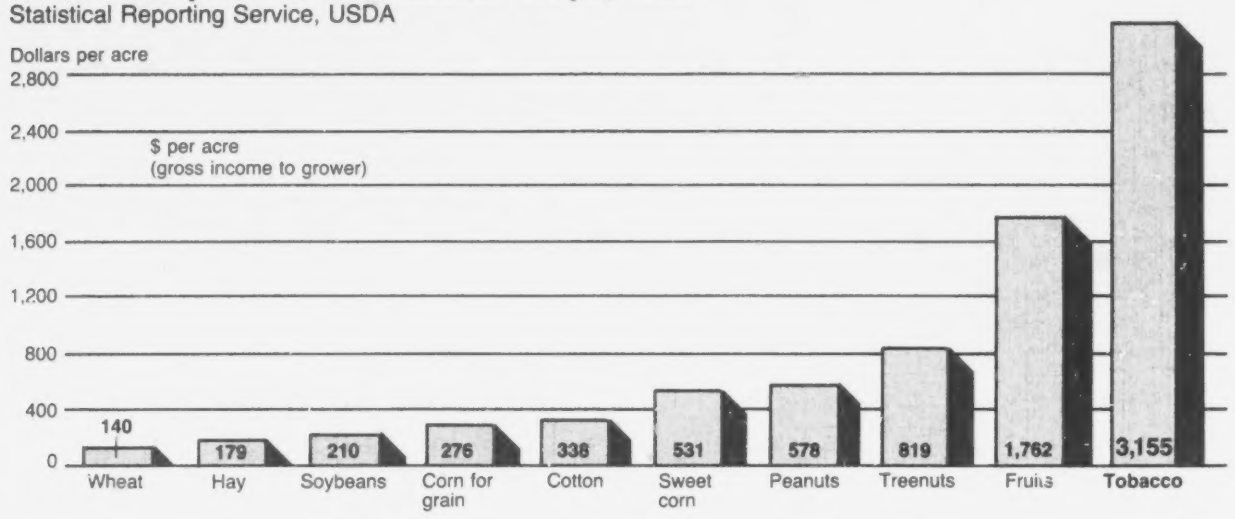
The average price of the 1983 crop was $1.75 per pound, a slight decrease from 1982.

Crop Income

Tobacco was the fifth largest cash crop, behind corn, soybeans, hay of all kinds and wheat. The tobacco crop was worth more than $2.75 billion, representing 2.0 percent of the total for all cash

Farm Value per Acre for Selected Crops, 1983

Statistical Reporting Service, USDA



crops and farm commodities. Estimates of these cash receipts from the 1983 tobacco crop were:

	(millions of dollars)		
North Carolina	**969**	**Florida**	**29**
Kentucky	**547**	**Indiana**	**20**
Tennessee	**214**	**Pennsylvania**	**19**
South Carolina	**203**	**Connecticut**	**19**
Georgia	**172**	**Wisconsin**	**17**
Virginia	**169**	**Missouri**	**10**
Maryland	**45**	**West Virginia**	**6**
Ohio	**30**	**Massachusetts**	**4**

Tobacco is also grown in Alabama, Arkansas, Illinois, Kansas, Louisiana, Minnesota, New Mexico and the Commonwealth of Puerto Rico.

Manufacturing

Factories

In FY 1983, 131 factories in 20 states had federal permits to manufacture tobacco products. The concentration was in the southeast and mid-Atlantic states.

In FY 1983, 220 warehouses in 31 states were authorized by the U.S. government to export tobacco. Federal permits to manufacture cigarette papers and tubes were issued to 10 establishments.

Employment

An estimated 64,700 persons were employed in tobacco manufacturing during 1983 on a monthly average basis, representing hundreds of millions in payroll dollars. The 49,600 on the production lines in the average month earned $385.97 a week for a 37.4 hour week.

Of all the manufacturing employees, about 69 percent, or approximately 44,700, were employed by cigarette manufacturers. Over two-thirds of the production workers, or 33,700 employees, were involved in cigarette-making. The rest worked in other aspects of tobacco manufacture, including stemming and redrying the leaf.

Distribution and Sales

Retail

An estimated 1.0 million retail outlets distributed tobacco products. This included about 700,000 individual vending machines, plus family-owned stores, and tobacco departments of large chain-operated stores. Related employment numbered in the millions.

Wholesale

More than 1,725 primary tobacco wholesalers with nearly 35,300 employees distributed tobacco products in 1981, the latest year available. Trade estimate of the 1983 wholesale value of tobacco products was $23.3 billion. Cigarettes accounted for about $21.9 billion, cigars about $525 million and chewing, pipe and roll-your-own tobacco and snuff approximately $850 million. Other smokers' articles, such as pipes, accounted for hundreds of millions more dollars.

Supply Network

Related Industries

Dependence on a complex industrial and service network greatly extended the contributions of tobacco to the nation's economy. The need for farm and manufacturing materials, supplies and equipment as well as services ranging from transportation to advertising provided employment for additional millions and added billions of dollars to personal and business income in all the states.

Exports and Imports

The U.S. was the leading exporter and importer of tobacco. In 1983, about 37 percent of the U.S. crop was exported. In 1983, the value of U.S. exports of leaf and manufactured tobacco products was $2.65 billion, 7 percent below 1982. Imports were valued at approximately $817.3 million, up nearly 44 percent. The difference, nevertheless, represented a positive contribution of more than $1.8 billion to the U.S. balance of payments in calendar year 1983.

Leaf

Approximately 237,900 metric tons of unmanufactured leaf tobacco valued at nearly $1.5 billion were exported. Leading markets for U.S. leaf were Japan, West Germany, Spain, Italy, U.K. and the Netherlands.

Imports of unmanufactured leaf totaled 239,178 metric tons—up 30 percent from 1982—and were valued at $743.5 million, a 48 percent increase from 1982.

About 35 percent of the leaf imported, or 84,000 metric tons, was oriental, for use in domestic cigarettes. Turkey continued to be the major supplier of oriental leaf, followed by Greece, Bulgaria, Yugoslavia and Lebanon.

Products

The value of exported manufactured products in 1983 was $1.2 billion, an 8.6 percent decline. The value of imported manufactured products, at $74 million, was up almost 14 percent.

Cigarettes

Almost 60.7 billion cigarettes were exported in 1983 to 106 countries, down 18 percent in quantity from 1982. They were valued at $1.13 billion. The leading destinations were Belgium-Luxembourg, Hong Kong, Saudi Arabia, Japan, Lebanon, Singapore and Panama.

About 917 metric tons of foreign cigarettes valued at $10.9 million were imported.

Other Products

Cigar, cheroot and little cigar exports included 129.5 million units, valued at $8.5 million.

About 1,264 metric tons of foreign cigars and cheroots were imported with a value of $45 million.

Exports of pipe and roll-your-own tobacco in bulk decreased 29 percent to 3,606 metric tons with a value of $24.7 million, a 24 percent decline from 1982. Exports also included 1,073 metric tons of snuff and chewing tobacco worth $6.4 million—up 21 percent in quantity and 9 percent in value from 1982.

Imports of packaged smoking tobacco came to 1,912 metric tons valued at $17.8 million.

Shipping

Nearly 94 percent of all leaf tobacco exported was shipped from the East. The major custom district ports were:

	Metric Tons	Value (millions)
Norfolk	103,008	$629.9
Wilmington, NC	87,004	517.9
Baltimore	22,554	157.6
New Orleans	7,376	31.3
Charleston, SC	6,276	40.4
Buffalo	2,152	13.4
New York	1,835	12.3
Los Angeles	1,508	10.1
Savannah	1,191	6.6
Miami	1,186	7.7

Cigarettes accounted for 94 percent of the value of manufactured tobacco products exported. The major ports shipping cigarettes overseas were:

	Units (billions)	Value (millions)
Norfolk	23.7	$455.9
Baltimore	10.3	197.1
San Francisco	9.7	172.9
Wilmington, NC	4.5	86.7
Charleston, SC	3.8	64.6
Miami	2.1	37.9
Los Angeles	.8	14.5

Government Receipts from Taxes

Tobacco Taxes

About 30 percent of the receipts from domestic civilian retail sales of tobacco products went to federal, state and local treasuries in the form of excise and sales taxes. These totaled nearly $8.7 billion in FY 1983 (ending June 30).

Federal, state and local governments collected more than $7.9 billion alone in excises on all tobacco products in FY 1983. Cigarette taxes represented 98.9 percent, or $7.8 billion.

Federal, state and local excises on other tobacco products totaled $87.8 million.

Since 1863, when cigarettes were added to the tobacco products taxed by the federal government, governments at all levels have collected over $165.8 billion in tobacco taxes. Cigarettes have accounted for 95.1 percent of that, or $157.7 billion.

Federal

The federal government's share was $3.46 billion. Cigarette taxes, doubled to 16 cents per pack Jan. 1, accounted for 98.8 percent. About $39.4 million in taxes was collected on other tobacco products.

State

All states imposed excises on cigarettes; 21 also taxed cigars and 20 taxed smoking or chewing tobacco, snuff or a combination.

The total take in FY 1983 was $4.3 billion, of which almost 99 percent was cigarette taxes. About $48 million was collected on other tobacco products. The states' cigarette excises ranged from 2 to 25 cents per pack.

Local

Tobacco taxes in 370 cities and counties yielded $174.6 million in FY 1983. Of that amount, $174.4 million, or 99.9 percent, was taxes on cigarettes. Thirty-four local governments also collected $169,041 on other tobacco products.

Government Tobacco Programs

Farm Quotas

USDA administers laws to stabilize tobacco production and assure the grower fair prices. Most tobacco farmers, through periodic referenda, have continued to favor marketing quotas. Because of the production controls, less tobacco is produced and prices are higher than would be likely without them.

Loans

When growers approve marketing quotas for a tobacco type, price supports for it are mandatory. Under the program the Commodity Credit Corporation (CCC) makes loans to farmers through their cooperative associations, with the tobacco as collateral. The associations handle and sell the tobacco, repaying loans as the tobacco is sold. The realized cost of the tobacco program since its start in 1933 has been about .1 percent of the cost of all 13 farm commodity price support programs. In FY 1983, loan repayments totaled $154 million, while new loans totaled $978 million, which is expected to be repaid with interest to CCC as the collateral tobacco is sold by the associations.

Congressional revisions in the price support program—tobacco farmers pay into a fund established in 1982 to offset any future losses—are designed to assure that it will operate at no cost to the American taxpayer.

Grading

USDA's Agricultural Marketing Service (AMS) inspects and grades all tobacco before auction. Government grade standards are the basis for CCC loans. Since FY 1982, tobacco farmers have paid user fees for grading. In FY 1983, AMS collected $9.0 million from tobacco farmers. Daily market news reports inform growers of prices and market conditions. This service cost $519,000 in FY 1983.

Tobacco's Contribution to America's National Economy

A 1979 study—the latest available—by the Wharton Applied Research Center of the University of Pennsylvania showed that tobacco and tobacco products generated $57.6 billion annually toward the Gross National Product.

Tobacco's contribution to America's GNP was roughly two and a half times net expenditures on the industry's products, demonstrating dramatically the magnitude of tobacco's indirect, or spillover, effect on the national economy.

The study, an extension of a first-of-its-kind project begun in 1978, shows that in 1979 tobacco gave, directly and indirectly, to all 50 states:

- **2 million jobs**
- **$30 billion in wages and earnings**
- **$15.5 billion in capital investment**
- **$22 billion in federal, state and local taxes**

. . . in all, almost 2.5 cents of every dollar generated by all the goods and services rendered to and by Americans in a single year.

A summary pamphlet on the study, "America's Golden Leaf: National Edition," is available from The Tobacco Institute, as are the 13 individual state economic studies in the "America's Golden Leaf" series: California, Georgia, Illinois, Kentucky, Michigan, North Carolina, New York, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and Wisconsin.

SOURCES: U.S. Department of Agriculture: *USDA Vol. 2 of 1985 Budget Explanatory Notes for Committee of Appropriations;* Agricultural Marketing Service, *Tobacco Market Review 1983 Crop;* Agricultural Stabilization and Conservation Service, Tobacco and Peanut Division, *Loan Status Report;* Economic Research Service, *Tobacco Outlook and Situation;* Foreign Agricultural Service, *Foreign Agriculture Circular (Tobacco)* and *U.S. Agricultural Exports;* Statistical Reporting Service, *Citrus Fruits Production, Use and Value 1982-1983, Crop Production 1983 Summary, Crop Values 1981-1982-1983, Non Citrus Fruits and Nuts 1983 Summary* and *Vegetables 1983 Annual Summary.*

U.S. Department of Commerce: Bureau of the Census, *County Business Patterns, United States 1981* and *EM-522.*

U.S. Department of Labor: Bureau of Labor Statistics, *Employment and Earnings.*

U.S. Department of Treasury: Bureau of Alcohol, Tobacco and Firearms.

American Automatic Merchandiser, May 1984.

Retail Tobacco Dealers of America, Inc., 401 Seventh Avenue, New York, NY 10001.

The Tobacco Institute: *The Tax Burden on Tobacco, Vol. 18, 1983,* 1875 I Street NW, Washington, DC 20006.

Tobacco Merchants Association, 1220 Broadway, New York, NY 10001.